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A Formula for Selection of Stocks of Closed-End Investment Companies

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Buyers of investment-company shares are interested primarily in diversification, skilled management, and convenience—in addition, of course, to the price to be paid for the shares. Since convenience is a common attribute of all investment-company shares and since diversification can be appraised merely by casual examination of the portfolio, investment-company analysis has been concerned chiefly with appraisal of management and with appraisal of price.

Management appraisal has been necessarily based on past performance and expressed in so-called performance indexes based on combined dividends and growth in net-asset value. The use of these indexes of performance has been somewhat complicated by the fact that the objectives of investment companies vary.

Some investment-company shares represent so-called "balanced funds," which means that the portfolio is "balanced" between cash, bonds, and stocks in a manner that reflects the management's idea of how the funds of the average investor should be distributed between defensive-type and so-called offensive or growth-type securities. This concept of balance is not a static one, since management at least hopes to shift between the types of holdings according to the stage of the business cycle. The basic assumption of the balanced fund appears to be that the investor wishes to delegate to the investment company not only the responsibility for diversification but also the responsibility for business-cycle decisions, i.e., when to move aggressively and when to seek the storm cellar of cash and high-grade bonds. It would appear to be a basic assumption of the balanced fund that the investor places all his resources in the fund.

The common-stock fund, on the other hand, will normally be substantially invested in common stocks at all times. This appears to be based on the theory that the investor should do his own balancing in the light of his particular circumstances and his convictions about the trend of business and profits. Here the fund management appears to accept responsibility for diversification and wise selection but not for business-cycle decisions.

It is clear, then, that in the upward phase of the cycle the common-stock funds will generally outperform the balanced funds and the opposite will be true in the downward phase of the cycle. Moreover, in a period such as the present, when dividend yields are substantially higher than bond yields, the common-stock fund will afford an investment return somewhat higher than the balanced fund. This, of course, is subject to many exceptions. A common-stock fund may be, as a matter of policy, concentrated in what it believes are "growth situations" which offer better than usual opportunity for appreciation but only modest current dividend returns. In such cases the dividend return on a common-stock fund will be relatively low.

Comparison of performance indexes of investment companies must be undertaken only in the light of the particular objectives and policies of the funds. In general it may be reasonable to compare the performance index of a balanced fund with the performance index of similar balanced funds. In the same way it is relevant to compare the performance indexes of a group of common-stock funds. The difficulty is that not all so-called balanced funds are balanced in the same way over any period of time. Even common-stock funds vary considerably in the proportion of resources held in common stocks. In both cases there are significant differences in the type of common stock held.

In the case of closed-end companies there is still another complication in the computation of a performance index. In the upward phase of the cycle the per share net-asset value of a leverage company will increase not only in proportion to the general increase in stock prices but also as a reflection of the leverage in its own capital structure. Here the performance index must be based on the changes in the total fund and not on the changes in the net-asset value of the residual common stock.

But our interest is not in the computation or interpretation of performance indexes for investment companies. This is very competently done by others.[1] In a strictly quantitative sense there are only two aspects of investment-company analysis. One of these is the performance index—the construction of a reliable measure of past performance. It must be emphasized that, while this is a quantative matter, the construction of such an index by no means solves the problem of selection. The investor or analyst must still appraise some nonquantitative factors. The general problem of the measurement of performance is briefly mentioned here only because it is the other side, price analysis, in which we are mainly interested. The buyer of anything, whether securities or more tangible property, must weight quality against price. The man who buys a Cadillac instead of a lower-priced car has considered quality in relation to price in the light of his own circumstances; here the quality differences cannot be expressed in money terms, but in such factors as comfort, prestige, etc. But price is a definite sum of money.

In the case of investment-company analysis, the quality factor is partially measured by the record of past performance as expressed in a performance index. But whether the price is high or low requires some analysis.

It is common to express the price of an investment-company share in relation to the net-asset value. Carriers and General, for example, is a relatively small closed-end com-

[1] Notably by Arthur Wiesenberger & Co., publisher of the annual volume, *Investment Companies*.

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pany with a net-asset value at December 31, 1951 of $15.08 per share. The closing price on that date was 12⅛. The price was, then, 80.4 per cent of the net-asset value and the discount was 19.6 per cent. The following table shows market price at December 31, 1951, the net-asset value at that date, and the percentage discount or premium of the fourteen closed-end investment companies listed on the New York Stock Exchange:

Company	*Market 12-31-51*	*Net Assets per Share 12-31-51*	*Per Cent Discount or Premium*
Adams Express	31½	40.69	−22.6%
American European	29⅝	31.52	− 6.0
American International	21⅝	26.31	−18.8
Carriers and General	12⅛	15.08	−19.6
General American Investors	26⅝	25.32	+ 5.2
Capital Administration	22⅛	36.50	−39.4
General Public Service	3½	4.13	−15.3
Insuranshares	11⅝	14.33	−18.9
Lehman Corporation	71⅞	69.39	+ 3.6
National Shares	31½	35.02	−10.1
National Aviation	22	23.48	− 6.3
Petroleum Corporation	20⅝	24.75	−16.7
Tricontinental Corporation	13⅞	22.17	−37.4
U. S. & Foreign Securities	56⅝	82.19	−31.4

The term "net-asset value" has generally replaced the term "liquidating value" in investment-company terminology. Net asset value is the total of assets at market value minus liabilities and also minus any preferred stocks at par (or liquidation value if higher than par) divided by the number of shares. Net-asset value as thus measured is the amount that could be distributed in liquidation if the portfolio could be sold at the current market and without consideration of costs of liquidation.

This is the gross amount that might be received by the holder of each share. The stockholder would be required, however, to pay a capital-gains tax on the capital gains realized by the investment company in the liquidation of the portfolio. This is perhaps the basis for the general adoption of the term net-assets per share.

In the case of companies that choose to qualify as "regulated investment companies," the investment company itself does not pay a Federal income tax on either investment income or capital gains that are distributed in dividends. Instead the income distributed to shareholders is designated either as ordinary income or as capital gains and the stockholder includes in his own tax return the dividends received. In the case of dividends representing ordinary income, this is included under the caption "dividends received" and is taxable to him at the same graduated rates as other ordinary income such as salaries, wages, and commissions. Dividends designated as capital-gain dividends the stockholder reports as his own capital gains in the appropriate section of the return. The maximum tax is 26 per cent on such income and may be less in lower brackets.[2]

The fact that most investment companies have unrealized gains in the portfolio has sometimes led to the conclusion that the net-asset value or liquidating value should be adjusted to reflect the tax (at capital-gains rates) that would be payable if the portfolio were liquidated at the current market. In the case of investment companies that retain capital gains rather than pass them on to stockholders, this is clearly correct, since in such a case the investment company is required to pay a capital-gains tax upon such retained realized capital gains. The Tricontinental Corporation, for example, has adopted the policy of retaining capital gains and paying a tax on such gains. The company has set up a reserve to reflect the capital-gains tax that would be payable if the portfolio were liquidated at the current market. This reserve is then deducted in the computation of net-assets per share. In such a case as this, it should be noted that such retained (and taxed) capital gains if later distributed would be ordinary income, fully taxable to recipients.

It is sometimes argued that, in the case of investment companies that distribute capital gains, the existence of large unrealized gains in the portfolio is a disadvantage to new purchasers. The argument runs something like this: A buyer of the stock of an investment company that has unrealized gains in the portfolio is in effect buying the capital gains when he pays a price for the stock that approximates the net-asset value. When, thereafter, the capital gains unrealized at the date of purchase are realized and distributed, the new stockholder must pay a capital-gains tax on what is to him nothing more than a return of capital.

This is a difficult argument to refute, since it has some validity. It is undeniably true that a capital-gain dividend resulting from the realization of gains in existence but unrealized at the date of purchase is, in fact, a return of capital. The stockholder in such a case is required to pay a capital-gains tax on what is economically a return of capital. But this is not the whole story. It is entirely possible for the stockholder to adjust his tax position so as to either mitigate or eliminate the tax on the return of capital. The fact that such a capital-gain dividend *is* taxable to the stockholder means that it is not to be be considered as a reduction of the cost basis of the stock, as would be true in the case of a liquidating dividend. But the payment of the capital-gain dividend does serve to reduce the market price of the stock. Therefore the stockholder may if he wishes create a capital loss merely by selling his stock. In the absence of intermediate market fluctuation this capital loss would match the capital-gain dividend and no tax would be payable. Even if the stockholder does not choose to sell his stock and must therefore pay the capital-gains tax, he is still not at a disadvantage taxwise.[3] This is because he has a book loss to offset against future capital gains or ordinary income. Even if the sale is eventually made at a profit instead of a loss, it is inevitable that the profit will be smaller than it would have been had the capital-gain dividend not been paid.

For example, suppose that an individual buys an investment-company share at exactly net-asset value of $10, which includes unrealized portfolio gains of $2. Immediately after his purchase the company realizes the portfolio gain and distributes a capital-gain dividend of $2 per share. It is clear that to our purchaser this dividend is merely a return of capital and not income. Nevertheless, he is required to treat it as a capital gain and to pay a tax (at

[2] The effective tax will be less than 26 per cent for all those taxpayers whose maximum tax bracket is less than 52 per cent.

[3] Unless the stockholder dies before selling his stock.

maximum rates) of 52 cents on it. But it must be noted that now the stockholder has a share of stock with a $10 cost and a market of $8. If this loss is "realized" by sale in the same year, there will be no net capital gain. If realized in a subsequent year the, capital-gains tax of the current year is matched against an equal tax advantage of a future year. In the event of a later rise in net asset value and market price, the stockholder may eventually have to pay a capital-gain tax but even then the tax advantage is not lost. The stockholder in effect is permitted the first $2 of gain tax free.

It is true, of course, that a loss taken in a subsequent year may yield less tax advantage than the tax paid in the current year. But it is just as possible that the subsequent tax loss may be worth more to the taxpayer than the cost of the current year capital-gains tax.

For these reasons it is clear that it is unnecessary to apply a discount factor to net-asset value to adjust for unrealized portfolio gains in the case of investment companies that distribute capital gains.

The buyer of the stock of an investment company presumably seeks diversification and skilled management in a single package. This necessarily costs something. If performance is equal, of course, the lower the ratio of operating expenses to operating income the better. The closed-end companies vary considerably with respect to this ratio. In general, as might be expected this expense ratio is at least partly related to size. With some exceptions, the larger investment companies have lower expense ratios than the smaller companies. Based upon 1951 operations, the expense ratios of the closed-end companies were as shown below. These data are the percentages of operating expenses excluding interest or income taxes to investment income excluding capital gains.

Company	*1951 Expense Ratio*
Adams Express	11.2%
American European	14.9
American International	16.5
Carriers and General	14.4
General American Investors	18.3
Capital Administration	9.5
General Public Service	18.0
Insuranshares	21.9
Lehman Corporation	13.6
National Shares	12.2
National Aviation	21.3
Petroleum Corporation	6.9
U. S. and Foreign Securities	6.0

A valuation formula may be developed from either of two points of view; we may set up a formula in the form of a brief statement of a method of computation of what we may believe to be true values; or we may set up a formula which in general will serve to *explain* market prices. In the latter case the values as computed from the formula will approximate market values.

Since market prices are made by the operations of people all over the world, and since the financial position and results of operation of these companies are published at frequent intervals, it is quite possible that a formula based upon what we may consider to be a rational approach to true value may also yield results that approximate market values.

Certainly the market is not "always right." Nevertheless, market prices do represent composite opinion and are influenced by factors which cannot all be known to a single analyst. It seems evident then that, if a proposed formula yields results that vary widely from actual markets, the error may be in the formula and not in the market.

We may approach the problem of developing a formula for valuation of the equity securities of closed-end investment companies from the standpoint of an investor with a substantial amount of investment in stocks. Such an investor is not compelled to obtain diversification and management through the medium of an investment company. He can get diversification and an average result by "buying the averages." Our valuation formula, then, is based on an estimate of what such an investor can reasonably afford to pay for the stocks of the closed-end companies.

The formula is essentially simple. It is postulated that the reasonable value of the stock of a closed-end investment company is the net-asset value minus an expense discount and minus a performance discount or plus a performance premium.

The large investor can obtain a somewhat greater income by direct investment than he can by the purchase of investment-company shares. This is because of the expense factor. Such an investor would therefore, reasonably, be willing to pay such price as would give him the same net yield as could be obtained by direct investment. This expense discount is computed quite simply. It is the operating expenses not including interest or income taxes, divided by the operating income, not including capital gains.

The application of this discount factor may appear to unduly penalize the investment company of the accumulative type whose holdings are as a matter of policy concentrated in so-called growth companies. Here the income return is subordinated to capital growth. It is quite true that in such cases the expense discount in the formula will tend to be high because current income is subordinated to capital growth. But this is not unreasonable since, if such companies do show a greater than average capital growth, this will be reflected in the performance discount or premium. On the other hand, if such an investment company has both a high expense ratio and a lower than normal capital growth, then it is proper that a discount should be applied.

An intelligent investor with substantial funds should be willing to pay somewhat more for shares in an investment company with a good performance record than for shares in an investment company with a poor performance record. But the relationship between price and performance is clearly not a straight-line relation. After all, an investment company with a worse than normal performance record can always attain a normal performance merely by "buying the averages." And there can be no assurance of continuance of a better than average performance record. If an investment company has a performance record 50 per cent better than the average, it is improbable that an intelligent investor would pay a premium of 50 per cent on net-asset value.

In our formula, therefore, the performance record is discounted on the following scale.

First 5 percentage points weight	100%
Second 5 percentage points weight	50
Third 5 percentage points weight	25
Additional percentage points weight	10

It is clear that the performance record over relatively short periods may be misleading. In our calculations, performance is measured over the five-year period from December 31, 1946 to December 31, 1951.

The formula expresses the performance discount or premium on the basis of gain in asset value, including dividends paid in excess of 4 per cent on the average net-asset

value, in relation to the gain that an investor might have expected from direct investment in a diversified list of securities over the same period.

What growth might an investor have expected in a diversified securities list over this period? In other words, what is a normal growth for this period? If he had been 100 per cent invested in the Dow Jones industrial average, the growth would have been 50 per cent. If his holdings had been in the stocks in the Dow Jones 65 stock average (industrials-rails-utilities), the increase would also have been 50 per cent. The Standard and Poor composite average increased 45 per cent in the same period. But these investment companies are not 100 per cent invested in common stocks, and therefore the normal growth should be less than the growth in the averages.[4] Moreover, diversification and management does cost the investor something, and it is reasonable that this convenience should be taken account of in the estimate of the normal growth expected over a period. In addition it is desirable (within the limits of what would seem to be sound reasoning) to use an estimate of expected growth that will result in the formula yielding values that in general approximate the market.

On the basis of the above considerations and on the basis of some experimental testing of formula results against actual market prices, it is concluded that a normal growth expectancy of 30 per cent for the period 1946-51 is reasonable.

The performance discount or premium was then computed as follows in the case of nonleverage companies:

$$\frac{\text{NAV 1951} + \text{D} - .20\left(\dfrac{(\text{NAV 1946} + \text{NAV 1951})}{2}\right)}{\text{NAV 1946}} - 130$$

NAV 1951 = net-asset value per share, Dec. 31, 1951.
NAV 1946 = net-asset value per share, Dec. 31, 1946.
D = aggregate dividends per share.
.20 = .04 per annum for 5 years.

If the result is positive, it is a premium and if negative a discount.

In the case of leverage companies it is necessary to modify the formula slightly, although the general result is comparable. Here the performance must be measured in terms of market value of assets rather than the per share net-asset value. In the case of leverage companies the computation would be as follows:

$$\frac{\text{TA 1951} + \text{D} - .20\left(\dfrac{(\text{TE 1946} + \text{TE 1951})}{2}\right)}{\text{TA 1946}} - 130$$

TA 1951 = total assets at market value Dec. 31, 1951.
TA 1946 = total assets at market value Dec. 31, 1946.
TE 1946 = net-asset value per share Dec. 31, 1946 × number of shares.
TE 1951 = net-asset value per share Dec. 31, 1951 × number of shares.
D = aggregate dividends.

The performance discount or premium as thus determined was then discounted on the basis indicated above.

The above formulae measure relative performance of investment companies only where there is no substantial change in liabilities or senior capital or even in common-stock outstanding. For example, in the case of a leverage company it is clear that an increase in assets resulting from an increase in capitalization does not reflect an investment gain. It was necessary then to make numerous adjustments to make proper allowance for this and other differences. The adjustments are summarized below:

(1) Adjustments for changes in senior capital in the case of leverage companies were made as follows: (a) If senior capital increased during the period, the increase was deducted from total assets at market value December 31, 1951. (b) If senior capital decreased during the test period the decrease was added to total assets at market December 31, 1951.

(2) Adjustment was made for changes in number of shares outstanding by multiplying the total assets at market December 31, 1951 by a fraction. The numerator of this fraction was the shares outstanding December 31, 1946 and the denominator the shares outstanding December 31, 1951. This adjustment applied only to leverage companies.

(3) Capital Administration "A" is in substance an equity. But there is outstanding a series "B" which is in effect founders stock and entitled as a class to 30 per cent of the total dividends paid to the "A" and "B" stock together. Since the class "A" can only receive 70 per cent of the amount of dividends, the value of Capital Administration was computed according to the formula and the result was multiplied by 70 per cent. The computed value shown in the table below is, then, 70 per cent of the value computed from the formula.

(4) Both Adams Express and U. S. and Foreign Securities own controlling interests in other investment companies and these holdings constitute a significant proportion of total resources. In both these cases the gain was computed on the basis of assets other than holdings in subsidiary or affiliated investment companies. This made necessary adjustments to reflect changes in such affiliated company holdings over the period.

(5) Petroleum Corporation, as its name indicates, is invested exclusively in oil stocks and not in a general diversified portfolio. Since the oil-stocks group has led the market since 1946, it seemed appropriate to measure the relative performance of Petroleum Corporation against the change in the oil-stock group. This was done on the basis of the Standard and Poors group index. General Public Service, Insuranshares, and National Aviation also have specialized portfolios. No adjustment was made for these specialized portfolios. The aviation and insurance group indexes did not perform in a manner materially different than the all-stock index. The portfolio of General Public Service included large holdings of natural-gas stocks in addition to securities of electric-power companies.

(6) In the case of Tricontinental Corporation, the capital changes were so numerous and extensive as to make impossible a comparable measure of performance. The table below, then, does not show a computed value for this company.

[4] The expected growth for a company that was continuously 100 per cent invested in common stocks would be greater than for a company with a portfolio balanced between stocks and bonds. For this reason it is probably true that a single formula could not reasonably be applied to the open-end companies, since some of these are so-called "balanced funds" and others are "common-stock funds." The closed-end companies are more homogeneous in that in general their holdings are mainly in common stocks.

The computed value of Carriers and General, which is a leveraged company was determined as follows:

Expense discount: $\frac{83,000}{575,000} = 14.4\%$

Performance premium or discount:

$$\frac{10,415,000 + 2,131,800 - .20\left(\frac{(6,395,400 + 8,459,800)}{2}\right)}{8,497,000} - 130$$

$$= 130 - 130 = 0.$$

Since there was no performance premium or discount, the computation involves only the expense discount.

Computed value: $100\% - 14.4\% \times \$15.08 = \$12.90$, compared to a December 31, 1951 market of $12\frac{1}{8}$.

Lehman Corporation is a nonleverage company and the computed value was determined as follows:

Expense discount: $\frac{685,000}{5,017,000} = 13.6\%$

Performance premium:

$$\frac{63.39 + 23.19 - .20\left(\frac{(63.39 + 52.39)}{2}\right)}{52.39} - 130 = +13.2\%$$

First 5 percentage points	5.00
Second 5 percentage points	2.50
Last 3.2 percentage points	.80
	8.30%

Computed value: $100\% - 13.6\% + 8.3\% \times \$69.39 = \$65.71$, which compares with a market price at December 31, 1951 of $71\frac{7}{8}$.

The following tabulation shows computed values as at December 31, 1951, together with corresponding market prices at that date.

	Expense Discount	*Performance Premium or Discount*	*Computed Value 12-31-51*	*Market 12-31-51*
Adams Express	11.2%	+ 7.0	$38.99	$31.50
American European	14.9	+10.3	30.07	29.62
American International	16.5	+ 9.2	24.38	21.62
Carriers and General	14.4	0	12.90	12.12
General American Investors	18.3	+10.3	23.29	26.62
Capital Administration	9.5	+ 1.3	23.46	22.12
General Public Service	18.0	+ 7.6	3.70	3.50
Insuranshares	21.9	+ 8.0	12.33	11.62
Lehman Corporation	13.6	+ 8.3	65.71	71.87
National Shares	12.2	+ 7.5	33.37	31.50
National Aviation	21.3	+ 6.9	20.09	22.00
Petroleum Corporation*	6.9	− 1.8	22.59	20.62
Tricontinental Corporation†	...	...	.....	13.87
U. S. and Foreign Securities	6.0	+11.1	86.38	56.37

The formula we have applied is based on what appears to be a rational approach to valuation of the stocks of the closed-end companies. These stocks were selling at widely varying discounts or premiums based on net-asset values. The close approximation of computed value and market value indicates most probably that these widely varying discounts and premiums were justified by the circumstances of expense and performance differences. In other words, the market is in general rational and not irrational.

Moreover the behavior of market prices since December 31, 1951 appears generally to validate the formula here presented. The two stocks whose computed values were significantly higher than market prices (U. S. and Foreign Securities and Adams Express) have shown market-price increases from December 31, 1951 to May 27, 1952 of 15.7 per cent and 6.3 per cent, respectively. The average increase for all other stocks in the group was only 2.0 per cent for the same period.

* Performance index based on Standard and Poor's Petroleum Group Index.
† Extensive capital changes made computation impossible.

PORTLAND FOOD PRICES

The University of Oregon Bureau of Business Research reports that in Portland, of 56 foods for which comparisons can be made with mid-May 1952, 27 were lower, 22 were higher, and 7 were the same in mid-June. The preliminary average prices of those foods entering into the Bureau of Labor Statistics' Portland Food Index are calculated by the Bureau of Business Research to permit more rapid release.

	In Cents			
	Average June 15, 1952	*Change from Last Month*	*June Range of Prices — High*	*Low*
CEREALS & BAKERY PRODUCTS:				
Cereals:				
Flour, wheat (5 lbs.)	53.8	1.2	59.0	50.0
Corn flakes, 12 oz.	21.5	.5	24.0	20.0
Corn meal (lb.)	12.3	— .1	14.0	11.0
Rice (lb.)	20.9	— .2	23.0	18.0
Rolled oats (20 oz.)	19.5	.1	21.0	19.0
Bakery products:				
Bread, white, per loaf (lb.)	16.0	...	16.0	16.0
Vanilla cookies, 7¾ oz.	26.2	1.1	27.0	23.0
Layer cake (lb.)	*	...	.....	.....
MEATS, POULTRY & FISH:				
Meats:				
Beef:				
Round steak (lb.)	108.4	—2.5	122.0	98.0
Rib roast (lb.)	89.2	— .8	92.0	85.0
Chuck roast (lb.)	75.1	—1.4	79.0	69.0
Frankfurters (lb.)	64.4	— .4	69.0	59.0
Hamburger (lb.)	65.2	—2.4	84.0	53.0
Veal:				
Cutlets (lb.)	122.0	—1.2	139.0	110.0
Pork:				
Chops (lb.)	82.5	5.1	89.0	69.0
Bacon, sliced (lb.)	63.8	2.6	77.0	59.0
Ham, whole (lb.)	67.6	5.2	79.0	59.0
Salt pork (lb.)	35.4	— .9	55.0	27.0
Lamb:				
Leg (lb.)	87.3	[illegible]	95.0	85.0
Poultry:				
Fryers, N.Y. dr. (lb.)	[illegible]	[illegible]	69.0	45.0
Fish:				
Salmon, pink (16 oz.)	[illegible]	—1.2	59.0	49.0
Salmon (lb.)	[illegible].0	—2.6	89.0	47.0
Halibut (lb.)	57.4	—5.1	65.0	49.0
DAIRY PRODUCTS:				
Butter (lb.)	79.5	— .9	86.0	75.0
Cheese, Amer. proc. (lb.)	57.3	.9	62.0	44.0
Milk:				
Fresh, delivered (qt.)	22.0	...	22.0	22.0
Fresh, grocery (qt.)	22.0	...	22.0	22.0
Evaporated (14½ oz. can)	14.8	...	16.0	14.0
Ice cream (pt.)	27.3	.1	33.0	25.0
EGGS, Fresh (doz.)	59.1	1.1	64.0	55.0
FRUITS & VEGETABLES:				
Fresh:				
Apples (lb.)	20.1	2.6	23.0	14.0
Bananas (lb.)	20.0	.1	23.0	19.0
Oranges (size 200, doz.)	59.0	— .1	87.0	43.0
Beans, green (lb.)	*			
Cabbage (lb.)	10.0	.2	12.0	8.0
Carrots (bunch)	10.9	— .8	14.0	8.0
Lettuce (head)	9.7	—8.1	15.0	6.0
Onions, yellow (lb.)	13.0	—4.3	18.0	8.0
Potatoes, white (15 lb.)	122.8	—4.0	177.0	105.0
Sweet potatoes (lb.)	*			
Tomatoes (lb.)	34.4	— .4	45.0	19.0
Frozen:				
Peas (12 oz.)	24.8	.8	28	19
Strawberries, sl. (12 oz.)	39.2	1.2	47.4	34.0
Orange juice, conc. (6 oz.)	17.9	.2	24.0	14.0
Canned:				
Peaches (no. 2½ can)	29.6	—1.2	35.0	25.0
Pineapple (no. 2½ can)	36.0	.2	39.0	31.0
Corn, cream style (no. 303 can)	18.4	— .1	20.0	16.0
Tomatoes (no. 2½ can)	23.1	.2	28.0	22.0
Peas (no. 303 can)	18.4	— .2	22.0	16.0
Baby foods (4½-4¾ oz.)	9.0	...	10.0	9.0
Dried:				
Prunes (lb.)	25.4	.1	33.0	24.0
Navy beans (lb.)	16.5	— .1	20.0	14.0
BEVERAGES:				
Coffee (lb.)	87.3	...	95.0	80.0
Cola drink (6 btles.)	25.0	...	25.0	25.0
FATS & OILS:				
Lard (lb.)	18.7	—1.7	30.0	12.0
Shortening, hydrog. (lb.)	32.5	— .4	36.0	31.0
Salad dressing (pt.)	34.7	— .2	39.0	32.0
Margarine, colored (lb.)	29.6	...	33.0	29.0
SUGAR & SWEETS:				
Sugar (5 lb.)	55.6	.7	59.0	55.0
Grape jelly (12 oz. jar)	26.5	.3	41.0	22.0

* Insufficient number of quotations to obtain a reliable average price.

CURRENT BUSINESS TRENDS IN OREGON

Lumber. The production of Douglas-fir lumber declined during May 1952 because of the seventeen-day strike. It is interesting to note, however, that both orders and shipments also made an unfavorable showing in May, as compared with April 1952 or May 1951. The most recent figures for the industry, which covers mills in western Oregon, western Washington, and the northwestern corner of California, are as follows (thousands of feet, board measure):

	May 1952	*Apr. 1952*	*May 1951*
Average weekly production	172,630	212,273	234,375
Average weekly orders	165,191	205,840	215,967
Average weekly shipments	177,875	218,646	226,023
Unfilled orders, end of month	848,842	904,290	865,408
Gross stocks, end of month	917,160	940,238	694,922

Employment. The Oregon State Unemployment Compensation Commission reports that labor disputes were the principal cause of unemployment in the state during May 1952, the number of employed workers being 20,000 below the level of a year ago. The estimated nonfarm employment was 435,600, as compared to 444,600 in April 1952 and 455,600 in May 1951. Most of the decline was accounted for by lumbering, food processing, and transportation, although trade and construction were also down slightly.

The total of Oregon payrolls covered by unemployment compensation was $1,210,551,565 in 1951. The figures for 1950 and 1941 are $1,049,540,700 and $355,565,669, respectively. Lumbering, Oregon's principal industry, was responsible for $343,888,058 in wages last year as compared with $293,726,444 in 1950; the 1951 total was nearly double similar figures during World War II and nearly four times as much as was paid out to lumber workers in 1941. The state-wide increase in covered wage payments in 1951 over 1950 was 15.3 per cent. The county with the greatest relative increase was Curry with 66.2 per cent, because of the booming plywood industry in that area; the second highest was Umatilla with 50.5 per cent because of dam construction.

Department-Store Sales. Portland department-store sales have been making a poorer showing in comparison with the same period a year ago than have department-store sales in other Pacific Coast cities. This is particularly true of the week ending June 14.

	Week Ending June 14, 1952	*4 Weeks Ending June 14, 1952*	*1952 through June 14*
Portland	−24	− 3	−7
Los Angeles	+10	+21	−1
San Diego	+17	+29	+3
Oakland	+ 1	+ 5	−6
San Francisco	+ 2	0	0
Seattle	+12	+ 7	−4
Spokane	+ 4	+ 6	−1
United States	+ 9	+ 5	−4

Multnomah County Real-Estate Transactions. During May 1952 there were 1,320 real-estate sales in Multnomah County, amounting to $10,582,005. Of these 935 involved residences, the total sale price of which was $8,619,976; 345 were vacant properties, $516,358; and 40 were business properties, $1,445,671.

Portland Consumers' Price Index. The most recent quarterly reading of the Consumers' Price Index for Portland, prepared by the Bureau of Labor Statistics, relates to April 15, 1952 prices. This reading is 0.2 per cent low than that of January 15. This was the first drop since October 1949 and was brought about by lower prices for foods, apparel, and house furnishings. The details follow:

Group	*Index Apr. 15, 1952 (1935-39=100)*	*Per Cent Change to Apr. 15, 1952 from Jan. 15, 1952*	*Apr. 15, 1951*	*Apr. 15, 1950*
All items	198.6	−0.2	+2.3	+13.0
Food	250.6	−1.6	+0.8	+17.7
Apparel	198.6	−2.2	−0.5	+ 7.3
Rent	159.0	+1.3	+5.4	+15.1
Fuel, elec. & refr.	138.0	+1.5	+2.3	+ 4.9
Housefurnishings	199.0	−2.6	−4.2	+ 9.9
Miscellaneous	177.4	+1.7	+4.9	+11.4

BANK DEBITS

Bank debits represent the dollar value of the checks drawn against individual deposits. Payment for approximately 90 per cent of [illegible] property, and services is by check. Bank debits are regarded as indicators of the general trend of business, though their value for this purpose may be impair[illegible] changes in the level of prices. The Bureau of Business Research collects bank debits from 122 banks and branches monthly. On occasion, the totals for t[illegible] different issues of the *Review* are not directly comparable because of necessary adjustments in basic data.

Marketing Districts	*Number of Banks Reporting*	*Debits Apr. 1952*	*Debits Mar. 1952*	*Debits Apr. 1951*	*Apr. 1952 Compared with Mar. 1952*	*Apr. 1951*
Oregon	112	$1,238,374,313	$1,253,369,521	$1,140,513,156	− 1.2	+ 8.6
Portland (Portland, Hillsboro, Oregon City, etc.)	32	801,615,509	831,894,479	711,618,112	− 3.6	+12.6
Lower Willamette Valley (Salem, McMinnville, etc.)	15	94,117,137	86,394,036	86,335,480	+ 8.9	+ 9.0
Upper Willamette Valley (Albany, Corvallis, Eugene, etc.)	16	116,843,629	112,534,458	119,727,900	+ 3.8	− 2.4
North Oregon Coast (Astoria, Tillamook, etc.)	4	19,985,703	20,734,885	18,288,626	− 3.4	+ 9.3
Douglas, Coos Bay	7	40,593,937	38,781,151	39,228,242	+ 4.7	+ 3.5
Southern Oregon (Ashland, Medford, Grants Pass)	6	51,009,775	47,038,894	49,138,553	+ 8.4	+ 3.8
Upper Columbia River (The Dalles, Hood River, etc.)	7	18,285,546	17,630,460	18,492,562	+ 3.7	− 1.2
Pendleton area	6	23,952,233	24,816,564	23,724,439	− 3.5	+ 1.0
Central Oregon (Bend, Prineville, Redmond)	5	21,137,258	20,726,577	21,785,543	+ 2.0	− 3.0
Klamath Falls, Lakeview area	5	26,350,806	25,013,211	27,908,756	+ 5.3	− 5.6
Baker, La Grande area	4	8,482,952	8,844,888	8,646,374	− 4.1	− 1.9
Burns, Ontario, Nyssa	5	15,999,828	18,959,918	15,618,269	−15.6	+ 2.4

BUILDING PERMITS

Building permits give an indication of building operations planned rather than actual construction under way. Care must be taken, in interpreting these data, to allow for the lag which may elapse between the issuance of the permit and the beginning of actual construction. The data have been collected by the Bureau of Business Research.

	New Residential May 1952	*New Non-residential May 1952*	*Additions, Alterations & Repairs May 1952*	*Totals May 1952*	*Totals Apr. 1952*	*Totals May 1951*
Albany	$ 78,500	$ 8,900	$ 12,510	$ 99,910	$ 236,800	$ 145,800
Baker	20,000	150	5,000	25,150	19,050	45,920
Bend	6,000	3,530	21,850	31,380	81,030	16,600
Coos Bay	109,239	140,025	5,780	255,044	83,324	431,134
Corvallis	116,630	2,200	245,977	364,807	192,490	144,790
Eugene	296,000	12,100	50,942	359,042	331,892	350,640
Grants Pass	97,575	63,165	29,550	190,290	206,610	119,190
Klamath Falls	66,000	88,050	30,320	184,370	129,475	115,275
La Grande	2,710		6,097	8,807	16,415	18,470
Medford	93,000	17,185	40,538	150,723	180,860	182,701
North Bend	29,000	115,034	8,830	152,864	386,695	62,830
Oregon City	23,500	60,000	6,100	89,600	60,026	23,120
Portland	1,643,150	1,137,720	710,020	3,490,890	3,556,840	3,913,310
Roseburg	67,000	3,500	31,640	102,140	119,498	95,410
Salem	269,650	326,200	69,589	665,439	480,947	1,017,604
Springfield	66,492	24,500	29,450	120,442	103,585	73,225
The Dalles	69,200	19,900	15,810	104,910	135,150	94,025
18 other communities	256,590	71,450	112,685	440,725	513,312	699,370
Totals	$3,310,236	$2,093,609	$1,432,688	$6,836,533	$6,833,999	$7,549,414